

Message Text

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INFO OCT-01 EA-06 ISO-00 /017 R

66611

DRAFTED BY: ARA/LA:DWCOX:GMR

APPROVED BY: ARA:DWCOX

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P 232249Z MAY 75

FM SECSTATE WASHDC

TO AMEMBASSY TOKYO PRIORITY

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FOR ASSISTANT SECRETARY ROGERS

FOLLOWING REPEAT MANAGUA 1986 ACTION SECSTATE INFO

GUATEMALA SAN JOSE SAN SALVADOR TEGUCIGALPA

PANAMA MEXICO CARACAS 22 MAY.

QUOTE

LIMITED OFFICIAL USE MANAGUA 1986

GUATEMALA ALSO FOR ROCAP

EO 11652: N/A

TAGS: ETRD, EINV, ECIN, NU

SUBJECT: PROPOSAL TO PURCHASE UB OPERATIONS

SUMMARY: NICARAGUAN BANKER FERNANDEZ HOLMANN WILL PROPOSE
TO CHIEFS OF STATE OF FIVE CA'S AND PANAMA THAT THEY EXAMINE
POSSIBILITIES OF FORMING CONSORTIUM TO PURCHASE TROPICAL
PRODUCTS MARKETING OPERATIONS PLUS CA PROPERTIES OF UNITED
BRANDS AS BOLD STEP TOWARD RESOLVING CURRENT PROBLEM AND MEETING
REGION'S FUTURE NEEDS. FERNANDEZ HAS TOUCHED BASE WITH PRIVATE
AND PUBLIC SECTOR REPRESENTATIVES IN CONCERNED COUNTRIES. EMBASSY
FASCINATED WITH AUDACITY OF PLAN AND REQUESTS COMMENTS FROM
ADDRESSEES. END SUMMARY

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1. ERNESTO FERNANDEZ HOLMANN, EXECUTIVE DIRECTOR OF NICARAGUA'S BANCO DE AMERICA, ASKED EMBOFF'S REACTION TO INTRIGUING PROPOSITION WHICH HE INTENDS TO FLOAT INVOLVING THE DISPOSITION OF UNITED BRANDS PROPERTIES IN CENTRAL AMERICA. FERNANDEZ PLANS TO SEND A LETTER TO THE CHIEFS OF STATE OF THE FIVE CA'S PLUS PANAMA IN THE NEXT FEW DAYS ASKING THEM TO REACT TO A PORPOSAL TO FORM A CENTRAL AMERICAN PRIVATE-PUBLIC CONSORTIUM TO PURCHASE, NOT ONLY THE UB PROPERTIES IN THE REGION, BUT THE ENTIRE UB INTERNATIONAL TROPICAL PRODUCTS MARKETING OPERATIONS. FERNANDEZ POINTS OUT IN THE LETTERS THAT TAKING POSSESSION OF UB LANDS MIGHT ASSUAGE NATIONALISTIC PIQUE, BUT IT WOULD ALSO BRING ABOUT NEEDLESS CONFRONTATION WITH THE UNITED STATES AND WORSE, DO NOTHING ABOUT THE PROBLEM OF DISPOSING OF THE COMMODITIES: CENTRAL AMERICA WOULD WIND UP WITH NOTHING BUT A LOT OF BANANAS TO EAT. INSTEAD, FERNANDEZ SUGGESTS THAT NEGOTIATIONS ENTERED IN GOOD FAITH FOR THE MARKETING FACILITIES WOULD DEMONSTRATE THE EARNESTNESS AND SERIOUSNESS OF THE CENTRAL AMERICANS, AND IF SUCCESSFUL, WOULD TAKE CARE OF IMMEDIATE PROBLEM OF BANANAS WHILE PUTTING PRODUCERS INTO TRADE PROMOTION/MARKETING BUSINESS FOR FIRST TIME IN BIG WAY. HE ALSO SUGGESTS THE VENEZUELAN OIL FUND AS A POSSIBLE SOURCE OF FINANCING.

2. ALTHOUGH FERNANDEZ' PROPOSAL IS IN THE FORM OF A PERSONAL SUGGESTION, HE HAS ALREADY TOUCHED BASE WITH TOP-RANKING GON OFFICIALS, ROBERTO MAYORGA OF SIECA, HONDURAN MINECON, AND INFLUENTIAL MEMBERS OF THE PRIVATE SECTOR IN THE CONCERNED COUNTRIES. PRESIDENTIAL SECRETARY CARLOS DUBON BELIEVES, ACCORDING TO FERNANDEZ, THAT PRESIDENT SOMOZA MIGHT BE WILLING TO RUN WITH THE BALL IN APPROPRIATE CHIEFS OF STATE MEETING IF THE OTHER CHIEF EXECUTIVES REGISTER SOME INTEREST. HOWEVER, THE FEEDBACK THAT HE HAS BEEN GETTING FROM THE CA PRIVATE SECTOR SUGGESTS TO HIM THAT IT MIGHT BE BETTER TO AIM AT MINIMIZING GOVERNMENTAL INVOLVEMENT.

3. FERNANDEZ HAS INVESTIGATED, ALBEIT SUPERFICIALLY, THE UB CORPORATE STRUCTURE, AND BELIEVES THE TRANSFER IS FEASIBLE TECHNICALLY. ALTHOUGH HE HAS NOT SOUNDED OUT ANYBODY AT UB ABOUT IT, HE THINKS THAT THE BELEAGUED UB MIGHT FIND THE PROPOSAL BENEFICIAL. HE ALSO THINKS THAT THE PURCHASERS MIGHT NEED AS LITTLE AS \$150 MILLION UP FRONT TO CONCLUDE THE DEAL. HE LIMITED OFFICIAL USE

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EMPHASIZED THAT ALTHOUGH UB LAND WOULD PERFORCE BE INCLUDED IN THE NEGOTIATIONS, THE MAIN OBJECTIVE IS THE MARKETING OPERATION.

4. EMBOFF TOLD FERNANDEZ THAT SCHEME WAS FASCINATING IF NOTHING ELSE, FOR ITS IMAGINATIVENESS. ALGHOUGH HE WAS TOLD WE DID NOT KNOW ENOUGH ABOUT THE UB SITUATION TO REACT KNOWLEDGABLY, WE WOULD CONVEY THE INFORMATION TO THOSE WHO DID FOR POSSIBLE

COMMENT.

5. COMMENT AND REQUEST: FERNANDEZ HOLMANN, WITH IMPRESSIVE ACADEMIC CREDENTIALS IN INTERNATIONAL BUSINESS AND ECONOMICS FROM HARVARD, IS AT 34 ONE OF CENTRAL AMERICA'S MOST INFLUENTIAL MEMBERS OF THE PRIVATE SECTOR. WE HAVE HEARD RUMORS THE PAST FEW WEEKS CONCERNING DIFFERENT VERSIONS OF HIS PROPOSAL, BUT ARE SURPRISED BY THE BOLDNESS OF THE PLAN. VERY JEALOUS OF HIS PROFESSIONAL REPUTATION, WE DOUBT THAT HE WOULD HAVE TAKEN SUCH A GRANDIOSE SCHEME THIS FAR IF HE HAD NOT RESEARCHED IT AND GIVEN IT CONSIDERABLE THOUGHT FIRST. FOR THESE REASONS WE BELIEVE IT WORTHWILE TO MONITOR THE PROPOSAL AND WOULD WELCOME COMMENTS BY ADDRESSEES.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TROPICAL PRODUCTS, PROCUREMENT, CONSORTIUMS
Control Number: n/a
Copy: SINGLE
Draft Date: 23 MAY 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: johnsorg
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE121547
Document Source: CORE
Document Unique ID: 00
Drafter: ARA/LA:DWCOX:GMR
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750182-0880
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750521/aaaaatcv.tel
Line Count: 129
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: johnsorg
Review Comment: n/a
Review Content Flags:
Review Date: 16 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16 JUL 2003 by KelleyW0>; APPROVED <18 NOV 2003 by johnsorg>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PROPOSAL TO PURCHASE UB OPERATIONS SUMMARY: NICARAGUAN BANKER FERNANDEZ HOLMANN WILL PROPOSE
TAGS: ETRD, EINV, ECIN, NU, XK, UNITED BRANDS, (HOLMANN, ERNESTO FERNANDEZ)
To: TOKYO
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006